# NOTIFICATION.

## (DEPARTMENT OF LAW AND PARLIAMENTARY AFFAIRS)

No. LAW 38 LCA 67, Bangalore, dated 19th September 1967.

Ordered that the Deposit Insurance Corporation (Amendment) Bill, 1967 (Bill No. 100 of 1967), which has been published in the *Gazette of India*, Extraordinary, Part II Section 2, dated the 17th July 1967, be republished in the *Mysore Gazette*, for general information.

By Order and in the name of the Governor of Mysore,

H. K. ANANTHASUBBA RAO,
*Under Secy. to Govt., Law and Parliamentary Affairs*

## LOK SABHA

The following Bill was introduced in Lok Sabha on the 17th July, 1967 :—

### BILL No. 100 OF 1967

*Bill further to amend the Deposit Insurance Corporation Act,* 1961.

BE it enacted by Parliament in the Eighteenth Year of the Republic of India as follows:—

**1. Short title, commencement, etc.**—(1) This Act may be called the Deposit Insurance Corporation (Amendment) Act, 1967.

(2) It shall come into force on such date as the Central Government may, by notification in the Official

Gazette, appoint, and different dates may be appointed for different provisions of this Act and for different States or for different parts thereof.

(3) Any reference in any provision inserted in the Deposit Insurance Corporation Act, 1961 (47 of 1961), (hereinafter referred to as the principal Act), by any section of this Act to the commencement of the Deposit Insurance (Amendment) Act, 1967, shall, in relation to a State or part thereof, be construed as a reference to the date on which the said section comes into force in that State or part.

**2. Substitution of references to Banking Companies Act, 1949.**—In the principal Act, for the words and figures "the Banking Companies Act, 1949" wherever they occur, the words, and figures "the Banking Regulation Act, 1949" shall be substituted.

**3. Amendment of section 2.**—In section 2 of the principal Act,—

(i) after clause (d), the following clause shall be inserted, namely:—

'(dd) "co-operative bank" means a State co-operative bank, a Central co-operative bank and a primary co-operative bank;';

(ii) after clause (f), the following clause shall be inserted, namely:—

'(ff) "defunct co-operative bank" means a co-operative bank—

(i) which has been prohibited from receiving fresh deposits; or

(ii) which has been ordered or directed to be wound up; or

(iii) which has transferred all its deposit liabilities in India to any other institution; or

(iv) which has ceased to be a co-operative bank within the meaning of sub-section (2) of section 36A of the Banking Regulation Act, 1949 (10 of 1949). or;

(v) which has converted itself into a non-banking co-operative society ; or

(vi) in respect of which any scheme of compromise or arrangement or of reconstruction has been sanctioned under any law for the time being in force and such scheme does not permit the acceptance of fresh deposits ; or

(vii) which has been granted a moratorium which is in operation ; or

(viii) in respect of which an application for winding up is pending before the Registrar of Co-operative Societies or other competent authority under any law relating to co-operative societies for the time being in force in a State,';

(iii) in clause (g),—

(a) for the words "or a banking company", the words ",a banking company or a co-operative bank" shall be substituted;

(b) for the words "with a banking company", the words "with a banking company or a co-operative bank" shall be substituted ;

(c) in sub-clause (i), after the words " where a banking company at the commencement of this Act", the words "or where an eligible co-operative bank at the commencement of the Deposit Insurance Corporation (Amendment) Act, 1967" shall be inserted;

(iv) after clause (g), the following clause shall be inserted, namely :—

'(gg) " eligible co-operative bank" means a co-operative bank the law for the time being governing which provides that—

(i) an order for the winding up, or an order sanctioning a scheme of compromise or arrangement or of amalgamation or reconstruction, of the bank may be made only with the

previous sanction in writing of the Reserve Bank;

(ii) an order for the winding up of the bank shall be made if so required by the Reserve Bank in the circumstances referred to in section 13D;

(iii) if so required by the Reserve Bank in the public interest or for preventing the affairs of the bank being conducted in a manner detrimental to the interests of the depositors or for securing the proper management of the bank, an order shall be made for the supersession of the committee of management or other managing body (by whatever named called) of the bank and the appointment of an administrator therefor for such period or periods not exceeding five years in the aggregate as may from time to time be specified by the Reserve Bank;

(iv) an order for the winding up of the bank or an order sanctioning a scheme of compromise or arrangement or of amalgamation or reconstruction or an order for the supersession of the committee of management or other managing body (by whatever name called) of the bank and the appointment of an administrator therefor made with the previous sanction in writing or on the requisition of the Reserve Bank shall not be liable to be called in question in any manner; and

(v) the liquidator or the insured bank or the transferee bank, as the case may be, shall be under an obligation to repay the Corporation in the circumstances, to the extent and in the manner referred to in section 21;';

(v) after clause (h), the following clause shall be inserted, namely :—

'(hh) "existing co-operative bank" means a co-operative bank carrying on the business of banking at

the commencement of the Deposit Insurance Corporation (Amendment) Act, 1967, which either holds a licence at such commencement under section 22 of the Banking Regulation Act, 1949 (10 of 1949), or having applied for such licence has not been informed by notice in writing by the Reserve Bank that a licence cannot be granted to it but does not include a defunct co-operative bank;';

(vi) for clause (i), the following clause shall be substituted, namely :—

'(i) "insured bank" means a banking company or an eligible co-operative bank for the time being registered under the provisions of this Act and includes for the purposes of sections 16, 17, 18 and 21,—

(i) a banking company referred to in clause (a) or clause (b) of section 13, or

(ii) a co-operative bank referred to in clause (a) or clause (b) of section 13C,

the registration whereof has been cancelled under section 13, or as the case may be, under section 13C;',

(vii) after clause (k), the following clause shall be inserted, namely :—

'(kk) "new co-operative bank" means a co-operative bank which begins to transact the business of banking after the commencement of the Deposit Insurance Corporation (Amendment) Act, 1967, under a licence granted to it under section 22 of the Banking Regulation Act, 1949 (10 of 1949), and includes a primary credit society becoming a primary co-operative bank after such commencement;';

(viii) after clause (p), the following clause shall be inserted, namely :—

'(q) the expressions "central co-operative bank", "co-operative society", "primary co-operative

bank", "primary credit society", and "State co-operative bank" shall have the meanings respectively assigned to them in the Reserve Bank of India Act, 1934 (2 of 1934).'.

**4. Substitution of new section for section 4. Capital of Corporation.**—For section 4 of the principal Act, the following section shall be substituted, namely :—

"4. (1) The authorised capital of the Corporation shall be one crore of rupees but the Central Government may, in consultation with the Reserve Bank, increase such capital from time to time, so, however, that the total authorised capital shall not exceed five crores of rupees.

(2) The authorised capital for the time being of the Corporation shall be fully paid-up and shall stand allotted to the Reserve Bank.".

**5. Amendment of Section 6.**—In Section 6 of the principal Act, in sub-section (1),—

(i) in clause (b), for the words "a Deputy Governor" the words "a Deputy Governor or any other officer" shall be substituted ;

(ii) for clause (d), the following clause shall be substituted, namely :—

"(d) five directors nominated by the Central Government in consultation with the Reserve Bank, three of whom shall be persons having special knowledge of commercial banking, commerce, industry or finance and two of whom shall be persons having special knowledge of, or experience in, co-operative banking or co-operative movement, and none of the directors shall be an officer of Government or of the Reserve Bank or an officer or other employee of the Corporation or a director, an officer or other employee of a banking company or a co-operative bank or otherwise actively connected with a banking company or a co-operative bank.".

**6. Amendment of Chapter III.**—In Chapter III of the principal Act, in the heading, after the words "BANKING COMPANIES" the words "AND CO-OPERATIVE BANKS" shall be inserted.

**7. Insertion of new Sections 13A, 13B, 13C and 13D.**—After Section 13 of the principal Act, the following Sections shall be inserted, namely:—

"**13A. Registration of co operative banks.**—(1) No co operative bank shall be registered under this Section unless it is an eligible co-operative bank.

(2) Subject as aforesaid—

(a) the Corporation shall register every existing co-operative bank as an insured bank before the expiry of thirty days next following the commencement of the Deposit Insurance Corporation (Amendment) Act, 1967;

(b) the Corporation shall register as an insured bank—

(i) every new co-operative bank [other than a primary credit society becoming a primary co-operative bank after the commencement of the Deposit Insurance Corporation (Amendment) Act, 1967] as soon as may be after it is granted a licence under Section 22 of the Banking Regulation Act, 1949 (10 of 1949.);

(ii) a primary credit society becoming a primary co-operative bank after such commencement within three months of its having made an application for a licence under the said section.

Provided that a bank referred to in clause (b) shall not be so registered if it has been informed by notice in writing by the Reserve Bank that such a licence cannot be granted to it.

**13B. Registration of defunct co-operative banks.**— Every co-operative bank being a defunct co-operative bank at the commencement of the Deposit Insurance Corporation (Amendment) Act, 1967, by reason of sub-clause (*vii*) or sub-clause (*viii*) of clause (*ff*) of section 2 shall, unless it becomes a defunct co-operative bank under any other sub-clause of that clause, be registered by the Corporation as an insured bank as soon as may be after the termination of the order of moratorium, or as the case may be, the rejection or dismissal of the application for its winding up provided it is an eligible co-operative bank and it either holds a licence granted under section 22 of the Banking Regulation Act, 1949, (10 of 1949.) or having applied for such licence in accordance with that section, has not been informed by notice in writing by the Reserve Bank that a licence cannot be granted to it.

**13C. Cancellation of registration of co-operative bank.**— The registration of a co-operative bank as an insured bank shall stand cancelled on the occurrence of any of the following events, namely:—

(*a*) if it has been prohibited from accepting fresh deposits; or

(*b*) if it has been informed by notice in writing by the Rerserve Bank that its licence has been cancelled under section 22 of the Banking Regulation Act, 1949, (10 of 1949.) or a licence under that section cannot be granted to it; or

(*c*) if it has been ordered or directed to be wound up; or

(*d*) if it has transferred all its deposit liabilities in India to any other institution; or

(*e*) if it has ceased to be a co-operative bank within the meaning of sub-section (2) of section 56A of the Banking Regulation Act, (1949, 10 of 1949.); or

(*f*) if it has converted itself into a non-banking co-operative society; or

(*g*) if in respect of it any scheme of compromise or arrangement or of reconstruction has been sanctioned by a competent authority and the said scheme does not permit the acceptance by it of fresh deposits ; or

(*h*) if it has been amalgamated with any other co-operative society ; or

(*i*) if it ceases to be an eligible co-operative bank, that is, if the law for the time being governing such co-operative bank does not provide for all or any of the matters referred to in clause (*gg*) of section 2.

**11D. Circumstances in which Reserve Bank may require winding up of co operative banks.** —(1) The circumstances referred to in sub-clause (*ii*) of clause (*gg*) of section 2 (being circumstances in which the Reserve Bank may require the winding up of a co-operative bank) are the following, namely :—

(*a*) that the co-operative bank has failed to comply with the requirements specified in section 11 of the Banking Regulation Act 1949 ; (10 of 1949 ; or

(*b*) that the co-operative bank has by reason of the provisions of section 22 of the said Act become disentitled to carry on banking business in India : or

(*c*) that the co-operative bank has been prohibited from receiving fresh deposits by an order under sub-section (4) of section 35 of the said Act or under clause (b) of sub-section (3A) of section 42 of the Reserve Bank of India Act, 1934 (2 of 1934) or

(*d*) that the co-operative bank having failed to comply with any requirement of the Banking Regulation Act,(1949, 10 of 1949,other than the requirements laid down in section 11 thereof, has continued such failure or, having contravened any provision of that Act has continued such contravention beyond such period or periods as may be specifid in that behalf by the Reserve Bank from time to time, after notice in writing of such failure or contravention has been conveyed to the co-operative bank; or

(*e*) that the co-operative bank is unable to pay its debts; or

(*f*) that in the opinion of the Reserve Bank—

(*i*) a compromise or arrangement sanctioned by a competent authority in respect of the co-operative bank cannot be worked satisifactorily with or without modifications, or

(*ii*) the continuance of the co-operative bank is prejudical to the interests of its depositors.

(2) Without prejudice to the provisions of any other law for the time being in force, a co-operative bank shall, for the purpose of clause (*e*) of sub-section (1), be deemed to be unable to pay its debts.—

(*i*) if, on the basis of the returns, statements or information furnished to the Reserve Bank under or in pursuance of the provisions of the Banking Regulation Act, 1949, (10 of 1 949) the Reserve Bank is of opinion that the co-operative bank is unable to pay its debts; or

(*ii*) if, the co-operative bank has refused to meet any lawful demand made at any of its offices or branches within two working days, if such demand is made at a place where there is an office, branch or agency of the Reserve Bank or within five working days if such demand is made elsewhere and, in either case, the Reserve Bank certifies in writing that the co-operative bank is unable to pay its debts.".

**8. Amendment of section 14.**—In section 14 of the principal Act, in sub-section (1), for the words "banking company" wherever they occur, the words "banking company or co-operative bank" shall be substituted.

**9. Amendment of section 15.**—In section 15 of the principal Act, in sub-section (*1*), in the second proviso, after the words and figures "under section 13", the words, figures and letter "or under section 13C" shall be inserted.

**10. Amendment of section 16.**—In section 16 of the principal Act, in sub-section (1), in the first proviso. after the word and figures "section 13", the words, brackets, letters and figures "or clause (*a*) or clause (*b*) of section 13C" shall be inserted.

**11. Amendment of section 17.**—In section 17 of the principal Act,—

(*i*) in sub-section (2), for the words and figures "to each depositor of the insured bank in respct of his deposit the amount payable und r section 16 either directly or through the liquidator or through any other agency as the Corporation may determine", the following words, figures, brackest and letters shall be substituted, namely:—

"the amount payable under section 16 in respect of the deposit of each depositor.—

(*a*) directly to the depositor, or

(*b*) to the depositor through such agency as the Corporation may determine, or

(*c*) to the liquidator." ;

(*ii*) after sub-section (2), the following sub-section shall be inserted, namely :—

"(3) Where the Corporation pays under sub-section (2), any amount in respect of the deposit of a depositor to the liquidator, the liquidator shal pay or cause to be paid that amount to the depositor and any expenses incurred by the liquidator in making such payment shall be treated as expenses incurred in the winding up of the insured bank.".

**12. Amendment of Section 36.**—In section 36 of the principal Act, in sub-section (1), after words "of its officers", the words "or through such other person or agency as the Reserve Bank may determine" shall be inserted.

**13. Amendment of Section 42.**—In section 42 of the principal Act, for the words "or any other person authorised

by the Corporation", the words "or any other person or agency authorised by the Corporation or the Reserve Bank" shall be substituted.

14. **Amendment of Section 48.**—In the *Explanation* to section 48 of the principal Act,—

(*i*) in clause (*a*), after the words "and includes", the "a co-operative society or" shall be inse ted ;

(*ii*) in clause (*b*), after the words 'in the firm", the words "and in relation to a co-operative society includes any member of a committee of management or other managing body (by whatever name called) to which the management of the affairs of the bank is entrusted" shall be inserted.

## STATEMENT OF OBJECTS AND REASONS

The more important provisions of the Banking Regulation Act, 194 , relating to the control of banking have been extended with effect from the 1st March, 1966 to (a) the state co-operative banks, (b) the central co operative banks and (c) the larger primary non-agricultural credit societies, commonly known as urban co-operative banks, with paid-up capital and reserves of Rs. 1 lakh or more in each case.

2. It was envisaged when the provisions of the Banking Regulation Act, 1949 were extended to these co-operative banks that the deposits in these banks should also be protected to the same extent and in the same manner as deposits in commercial banks. It is proposed to extend the insurance cover to the co-operative banks provided the State Governments amend their co-operative laws to confer on the Reserve Bank powers to take a final decision in regard to matters such as the winding up of a co-operative bank or the supersession of its board of management or the sanction of a scheme of compromise or arrangement or amalgamation or reconstruction. The Bill seeks to provide for the necessary amendment to the Deposit Insurance Corporation Act,

1961, for this purpose. Opportunity is also being availed of to increase the number of directors by three two of whom will represent the co operative sector and to increase the authorised capital of the Deposit Insurance Corporation from Rs. 1 crore to Rs. 5 crores.

3. The notes on clauses explain in detail the various provisions of the Bill.

NEW DELHI; MORARJI DESAI.

*The 3rd July*, 1967.

## PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117 OF THE CONSTITUTION OF INDIA

[Copy of letter No. F. 19/26/65-SB, dated the 11th July, 1967 from Shri Morarji Desai, Deputy Prime Minister and Minister of Finance to the Secretary, Lok Sabha.]

The President having been informed of the subject matter of the proposed Deposit Insurance Corporation (Amendment) Bill, 1967, recommends the introduction of the Bill in the Lok Sabha under clause (1) of article 117 of the Constitution.

*Notes on clauses*

*Clause* 1.—This provides for the necessary amendments to the Deposit Insurance Corporation Act to be brought into force, as and when this may be convenient. According to the scheme as envisaged in the Bill, the amendments will be brought into force in a State as soon as that State has modified the local laws relating to co-operative societies so as to provide for matters referred to in new clause (gg) to be inserted in section 2 of the Act.

*Clause* 2.—This is self-explanatory.

*Clause* 3.—This defines the various categories of co-operative banks which are referred to in the Bill. The definitions are the same as in the Reserve Bank of India Act, 1934 and in the Banking Regulation Act, 1949 as it has been applied to co-operative banks. Before any co-operative bank becomes eligible for registration as an insured bank, the State law or laws governing that bank will have to be modified so as to ensure that the Reserve Bank of India will have the final say in regard to proposals for the winding up of the institution or for the sanctioning of any scheme of compromise or arrangement in relation thereto and that provision or superseding the committee of management will be made, if it is required by the Reserve Bank, for any period not exceeding five years.

*Clause* 4.—This provides for the authorised capital of the Deposit Insurance Corporation to be increased from Rs. 1 crore to Rs. 5 crores and the entire capital will be allotted to the Reserve Bank.

*Clause* 5.—This provides for an increase in the number of directors of the Corporation from five to eight. Two of the three additional directors will be persons with special knowledge or experience of co-operative banking or the co-operative movement.

*Clause* 7.—This clause inserts four new sections 13A 13B, 13C and 13D. Under the proposed new section 13A every existing co-operative bank will be registered as an insured bank before the expiry of thirty days from the commencement of the Deposit Insurance Corporation (Amendment) Act, 1967. Similarly every new bank will be registered as soon as it is granted a licence under section 22 of the Banking Regulation Act, 1949 It has further been provided in that new section that no bank shall be registered under this section unless it is an eligible co-operative bank which expression has been defined in the Bill.

Section 13B is on the same lines as section 12 of the principal Act. Section 13C is on the same lines as section 15 of the principal Act. One more clause which is not in section 13 has been added to this section 13C, that is, clause (*i*). Section 13D narrates the circumstances under which the Reserve Bank may take any action for the winding up of a co-operative bank.

*Clauses* 8, 9 and 10.—These make only formal amendments to the principal Act.

*Clause* 11.—A new sub-section (3) has been added to section 17 to make it clear that if the Deposit Insurance Corporation finds it necessary to use the agency of a liquidator for making any payment the liquidator shall be bound to make the necessary payments, treating the additional expenditure, if any, as expenditure incurred in the course of the winding up.

*Clauses* 12, 13 and 14.—These provide for certain minor and consequential amendments of a clarificatory nature.

S. L. SHAKDHER,

*Secretary.*